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RUEHLO/AMEMBASSY LONDON PRIORITY 3735  
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 9405  
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C O N F I D E N T I A L KATHMANDU 000768

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DEPT FOR SCA/INS  
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E.O. 12958: DECL: 03/21/2016  
TAGS: [PREL](#) [PGOV](#) [PREF](#) [NP](#)  
SUBJECT: CHINESE DELEGATION SUPPORTS DIALOGUE OF  
CONSTITUTIONAL FORCES

REF: KATHMANDU 688

Classified By: Charge John Schlosser. Reasons 1.4 (b/d).

SUMMARY

1. (C) State Councilor Tang Jiaxuan led a Chinese delegation to Kathmandu from March 16-18 that expressed hope for unity among "constitutional forces" in Nepal and signed two financial agreements. Tang delivered the message of the need for unity to leaders of three major parties of the seven-party alliance. He also delivered a written proposal to the King regarding dialogue between constitutional forces. Nepalese and Chinese officials signed a letter of agreement to provide duty-free access to Nepali exports, with final agreement on the number of items that are to be provided duty-free status planned to occur before July 2006. Tang also announced a grant of approximately USD 2.5 million in annual assistance from China to Nepal. The State Councilor also stated that Nepal would be one of the Peoples Republic of China's (PRC) "target" Asian countries eligible for soft loans from China for development. End Summary.

STATE COUNCILOR TANG EXPRESSES SUPPORT FOR UNITY AMONG  
CONSTITUTIONAL FORCES

2. (C) In a March 17 address at a luncheon organized by the China Study Center, Chinese State Councilor Tang Jiaxuan expressed hope for unity among all constitutional forces in Nepal. While maintaining China's policy of non-interference in Nepal's internal affairs, adding that this policy would "never change," Tang said that "constitutional forces should seek to appropriately settle the current difficulties and problems through dialogue, upholding Nepal's independence, sovereignty and national unity." Asserting that Nepal is capable of solving its own problems without outside interference, he added that a "Nepal of peace, reconciliation and amity, enjoying stability, development and prosperity" would "promote regional peace, stability and development." J.P. Aryal, Under Secretary for North Asia, Ministry of Foreign Affairs, explained to Emboff that Tang's comments calling for dialogue to solve the country's problems was a

"good idea." Upendra Gautam, General Secretary of the China Study Center, opined that the Government of China had "moved closer to the U.S. position" on the need for reconciliation and that "if Tang had not said he was for dialogue among constitutional forces, Tang's trip would not have been well received in Nepal." His Majesty's Government of Nepal (HMG/N) Vice Chairman Bista publicly "welcomed Tang's suggestion to initiate dialogue between the King and the political parties."

#### TANG PRESSES NEED FOR DIALOGUE

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13. (C) In a March 20 conversation with Emboff, Second Secretary of the PRC Embassy's Political Section Ma Yingche

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explained that the King and the Parties were happy with State Councilor Tang's visit and noted that the King had accepted a written proposal regarding dialogue of all constitutional forces from Tang. Ma acknowledged that the PRC proposal included general language about dialogue among constitutional forces, but noted that anything more than that would not be in compliance with China's non-interference policy in Nepal. According to Ma, Tang assured his interlocutors that China would never interfere in Nepal's internal affairs. Ma stated that in Tang's meetings with the King and Party leaders, Tang had delivered the same message urging dialogue of all constitutional forces to achieve a peaceful and stable Nepal, and hoped that Nepal's constitution would be used as a framework for dialogue. Ma commented that Tang's response from Party leaders was "positive" and Ma opined that the Party leaders viewed Tang's meeting with them as a "boost" to the Parties' attempts to restore democracy. Ma added that the King also was happy to hear the message of dialogue among constitutional forces as dialogue could bring the Parties back into the mainstream. Ma remarked that he personally

thought the Party-Maoist 12-point understanding, although "practical," was merely a Maoist tactic.

#### TANG SHARES VIEWS WITH POLITICAL PARTY LEADERS

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14. (C) State Councilor Tang held separate meetings with leaders of the Nepali Congress (NC), Nepali Congress-Democratic (NC-D) and Communist Party of Nepal - United Marxist-Leninist (CPN-UML) on March 17, to share China's views on the need for resolution among constitutional forces. Chinese Emboff Ma Yingche indicated Tang was the first Chinese government official ever to meet with opposition leaders in Nepal. NC President G.P. Koirala described his meeting with Tang as somewhat useful, although he noted that the Chinese are so circumspect and interpretation so time-consuming, there was little opportunity to get into details. Koirala said he had questioned Tang about PRC arms transfers to the Royal Nepalese Army (RNA) and that Tang had acknowledged there had been some, but they were only "minor." Koirala's advisor, Suresh Chalise, told the press that China was worried about the present state of Nepal. After his meeting with Tang, NC-D President Sher Bahadur Deuba reportedly emphasized China's unwillingness to interfere in Nepal's internal affairs. CPN-UML leader Bharat Mohan Adhikari reportedly requested that China support the Party-Maoist 12-point understanding. Adhikari stated, "After meeting him (Tang), we felt that China hasn't supported the King." Noting that Tang met with political party leaders, Nepali China watcher Upendra Gautam commented that Tang's trip was more "visible" than most official Chinese visits.

#### LETTER OF AGREEMENT PROVIDES NEPAL DUTY-FREE ACCESS

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15. (C) Nepal's Commerce Secretary, Bharat Bahadur Thapa, and Chinese Assistant Minister for Commerce, Chen Jian, signed a letter of agreement on March 17 which will provide Nepal duty-free access to the Chinese market (reftel). Nepal provided the Chinese delegation with a list of 1,550 items.

Technical teams from both countries would review the list before finalizing it in July. Finance Minister Roop Jyoti told Charge on the margins of Tang's speech that Nepal could not expect to benefit in any major way from the tariff reduction agreement. That said, Jyoti indicated that Nepali businesses, particularly in the construction field, likely would derive meaningful benefits from cross-border trade and small investments in Tibet. Tang said publicly that he hoped the list would be finalized and duty-free exports from Nepal could begin from July. However, Gautam cautioned that the Chinese government often neglected to follow-up in a timely manner on commitments to Nepal and that he would be curious to see how long it took for the final list of duty-free items to be agreed upon.

#### CHINA TO PROVIDE USD 2.5 MILLION GRANT, ELIGIBLE FOR SOFT LOANS

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¶6. (SBU) On March 17, State Councilor Tang announced an approximately USD 2.5 million grant that would be used for "mutually agreed" upon projects. He also stated that Nepal would be one of a number of Asian countries targeted by China to receive soft loans for development, placing this offer in the context of the USD 10 billion pledge of soft loans to developing countries made by Chinese President Hu Jintao at the 2005 United Nations World Summit. J.P. Aryal explained, however, that the USD 2.5 million grant was drawn from funds China had previously committed to provide Nepal and did not represent any new initiative.

#### TANG APPRECIATIVE OF NEPAL'S SUPPORT ON TAIWAN AND TIBET ISSUES

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¶7. (C) In his March 17 address, Tang expressed appreciation for HMGN's support for China on Taiwan and Tibet. Second

Secretary Ma explained that Tang's statement referred to

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Nepal's past support for China in various votes at the United Nations Security Council (UNSC). Ma noted that in the UNSC vote on Taiwanese membership in the World Health Organization (WHO), Nepal had voted "no" as China had requested. Ma also noted HMGN's cooperation in agreeing to close the Dalai Lama's Tibet Office in Kathmandu on January 21, 2005.

#### COMMENT

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¶8. (C) Tang's visit highlighted China's relatively recent policy shift on Nepal. His meetings with leading political opposition figured, in particular, indicate the seriousness with which the PRC is currently taking the deteriorating situation in Nepal. In Nepal, this is viewed as an unusual move for the PRC, and together with Tang's delivery of a written "proposal" to the King, further confirms that China has joined an international consensus to apply more pressure on the King to move toward reconciliation with the Parties. And, by repeatedly emphasizing the need for dialogue between "constitutional forces," Tang seemed to suggest China has little use for Nepal's Maoist insurgents.

SCHLOSSER